

**ORIGINAL**Decision No. 56878

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of  
SOUTHERN CALIFORNIA GAS COMPANY, a  
corporation, and SOUTHERN COUNTIES  
GAS COMPANY OF CALIFORNIA, a corpora-  
tion, for an order of the Commission  
authorizing the latter to sell and the  
former to buy certain gas distribution  
facilities within the City of Pasadena  
and certain other gas distribution  
facilities located northwest of and  
contiguous to the Pasadena City Limits.)

Application No. 39636  
(First Amendment)

T. J. Reynolds and Harry P. Letton, Jr., for  
Southern California Gas Company; and  
Milford Springer and Harry P. Letton, Jr.,  
for Southern Counties Gas Company of  
California, applicants.

George C. Young, for the Commission staff.

O P I N I O NReason for Application

Southern California Gas Company (hereinafter sometimes referred to as "Southern") and Southern Counties Gas Company of California (hereinafter sometimes referred to as "Counties") filed the above entitled application on December 12, 1957, and filed a first amendment thereto on March 7, 1958, requesting authority to transfer certain customers between them to facilitate description of or realignment of boundaries. Specifically, applicants represent such transfer would permit a more logical division of their service areas, eliminate the need for duplicate franchises in certain areas, minimize customer service and operating problems and ease the situation where rate differentials exist, as between contiguous customers.

Applicants' original application covered only some 260 customers in the northeast portion of Pasadena; however, before the original application was processed, a committee, which the applicants appointed to work on this matter, completed its work sooner than expected and recommended transfer of customers in several other areas. Applicants thereupon filed this amendment in which a total of approximately 909 customers are involved. On January 15, 1958, the Boards of Directors of both applicants authorized the over-all proposed boundary revision and transfer of facilities, which is the basis for this amended application.

#### Public Hearing

After due notice to each one of the customers involved in this transfer, public hearing was held on this matter on May 28, 1958 before Examiner Manley W. Edwards in Pasadena. Applicants presented six exhibits and testimony by one witness in support of their request. The Commission's staff, represented by a gas engineer, cross-examined applicants' witness for the purpose of developing a full record to aid the Commission in deciding this matter. No one of the customers that will be affected by the proposed transfer attended the hearing and no opposition to applicants' proposal was voiced at the hearing. The matter was submitted for the Commission's consideration at the close of the day's hearing and now is ready for decision.

#### Applicants' Position

Applicants represent that the problem of establishing a practical boundary line between their respective service areas arises from the very rapid postwar growth in population throughout Southern California and to subdivision activity which crosses existing boundaries. Many times the new subdivision streets or boundaries do not coincide with the applicants' existing boundary lines. In many cases next door neighbors are served by either applicant, and the resulting problems of customer service and rate differentials are aggravated.

Applicants propose to eliminate situations such as these to the extent feasible and to try to anticipate future development in order to minimize similar problems in the future. Their proposal is to follow natural boundaries (such as major streets, flood control channels, railroad tracks, etc.) wherever practicable with a minimum change in the existing boundary.

#### The Pasadena Situation

With respect to the facilities and some 260 customers located in the Pasadena area and presently served by Counties, a special problem is involved. These customers are located in an area which was completely unincorporated when service first was established. At that time, the most feasible gas supply came from Counties' Sierra Madre system to the east. Subsequently, subdivision activity necessitated that this area be supplied entirely from Southern's Pasadena distribution system to the south and west. The area has become an island, owing to several annexations by the City of Pasadena and now is surrounded by Southern's territory on three sides and by mountainous terrain with limited development potential on the fourth side on the north.

Transfer of this island to Southern will simplify such matters as supply reinforcement, gas and revenue accounting, and customers' service activities. Furthermore, approximately 69 of these customers are located within an area which now has been annexed to the City of Pasadena. Counties does not have a City of Pasadena franchise and states that Southern has recently acquired a new 30-year franchise from Pasadena by the City's Ordinance No. 4434, effective August 17, 1957. Transfer of these customers will save Counties the expense and effort of obtaining a Pasadena franchise and should benefit the applicants' and customers' over-all gas utility service. The Pasadena area proposed for transfer is shown in some detail by red lines on Exhibit No. 3.

Other Boundary Changes Proposed

Applicants' Exhibit No. 2 also shows these Pasadena boundary changes (to a smaller scale) and shows and lists the proposed changes in eleven other areas as follows:

<u>Areas Affected</u>	<u>Nearest City or Community</u>	<u>Connected Meters To Transfer To</u>	
		<u>So. Cal. Gas Co.</u>	<u>So. Cos. Gas Co.</u>
A. Pasadena Glen-Eaton Canyon	Pasadena	263	--
B. Delta Street	San Gabriel	33	--
C. Arroyo Drive	Monterey Park	--	8
D. Rex Road	Pico-Rivera	--	392
E. Along Telegraph Road	Santa Fe Springs	--	88
F. South of Telegraph Road	So. Whittier	35	--
G. 249th Street Near Avalon Blvd.	Wilmington	23	--
H. 249th Street Near Western Ave.	Harbor City	38	--
I. Grove Ave. Near Arrow Hwy.	Upland	--	9
J. Balance of Transfers	Playa Del Rey)		
K. " " "	Culver City )	12	8
L. " " "	Malibu )		
Total Meters (As of October 31, 1957)		404	505

These meters are all served on the General Service Schedules, except one which is on the Gas Engine Schedule.

Applicants state they have deferred boundary relocation action because in the past the rates of Southern have been somewhat higher than the rates of Counties, but the rate differential recently has been decreased to the point now where the difference generally is less than ten percent.

Rate and Revenue Effects

After consideration of the number of customers involved, the experienced average use per customer, the rate schedules which are and will be applicable, and the estimated net revenue effect of the transfers, Southern will experience an increase of revenue of \$8,600 and Counties will experience a decrease of \$8,400 per year. The following table summarizes the revenue situation:

	<u>Revenue from Affected Customers</u>	
	<u>So. Cal. Gas Co.</u>	<u>So. Cos. Gas Co.</u>
Before Transfer	\$36,400	\$42,300
After Transfer	<u>45,000</u>	<u>33,900</u>
Net gain or (loss)	\$ 8,600	\$(8,400)

Combined effect on applicants: Plus \$200

Since Counties is receiving some 101 more customers than it is losing, one would expect that Counties should show the gain in revenue rather than Southern. However, the reason for the decrease to Counties is that the customers being acquired from Southern have a lower annual average use and will be subject to lower rates than those customers to be transferred to Southern.

Applicants state that the typical residential customer transferred to Counties will benefit by an estimated average reduction of 41 cents per month in his bill and those transferred to Southern will experience an estimated average increase of 54 cents per month. Typical bill comparisons are shown in Exhibit No. 5.

#### Property to be Transferred

A list of the property to be transferred is set forth in Exhibit No. 6 and consists of (1) Rights-of-Way, (2) Mains, (3) Services, (4) Meters, (5) Regulators and (6) Meter and Regulator Installations. Also included in this exhibit is a tabulation by account numbers showing the original cost, depreciated, of the facilities to be transferred to Counties at \$83,689.78 and of the facilities to be transferred to Southern at \$74,111.12. These cost figures are computed as of October 31, 1957. Applicants state that in the event any facilities are added between October 31, 1957 and the effective date of the sale and transfer, the original cost, depreciated, of such additional facilities shall be added to the above totals, and in the event of the retirement of any of the facilities, the net

original cost of such facilities as of October 31, 1957, shall be deducted from the totals.

Applicants' proposed agreement covering this sale and transfer of property is designated as Exhibit No. 1.

Findings and Conclusions

After considering the evidence of record, the Commission finds and concludes that the proposed transfer is not adverse to the public interest and the increases in rates involved to certain customers will be offset largely by improved service, by a more logical division of the service areas, by eliminating the need for duplicate franchises in certain areas, by minimization of customer service and operating problems, and by an easing of the situation where rate differentials exist as between contiguous customers. Applicants plan to treat the transferred customers like new customers, to notify them of the change, to send them a welcoming letter, to enclose a booklet, to read the meters as of the transfer date, and to prorate billing where fractional months may be involved in the transfer. In general, the applicants' plan, to set the transfer dates in the various areas to correspond closely to regular meter reading dates, appears reasonable.

The Commission finds that applicants' proposal is reasonable, that the increases in rates and charges to certain customers on transfer are justified and are authorized, that the existing rates to certain customers after transfer are, for the future, unjust and unreasonable, and that an order should be issued authorizing the transfer of customers as proposed. The action taken herein shall not be construed to be a finding of the value of the properties herein authorized to be transferred.

O R D E R

The above entitled application to sell and transfer public utility property having been filed with this Commission, a public hearing having been held, the matter having been submitted and now being ready for decision, and it appearing to the Commission that the proposed transfer of customers and property will not be adverse to the public interest; therefore,

IT IS ORDERED that:

1. Southern California Gas Company and Southern Counties Gas Company of California may on or after the effective date hereof, and on or before December 31, 1958, sell and buy and transfer public utility property pursuant to the agreement of sale and purchase embodied in the said application as Exhibit CC and in this proceeding as Exhibit No. 1, subject to the following conditions:

- a. Customers being transferred shall be placed on the appropriate rate tariff of the company to which transferred for future billing purposes.
- b. On or before the date of actual transfer, all deposits which customers are entitled to have refunded shall be refunded; and any unrefunded deposits shall be transferred to become the obligation of refund of the new serving company.
- c. On or before the date of actual transfer of the physical properties herein authorized, the utilities shall transfer and deliver to each other, and each shall receive and preserve, all records, memoranda and papers pertaining to each utility's operations, as more specifically described in the Commission's General Order No. 28.

2. Applicants are authorized to file the boundary descriptions set forth in Exhibit EE in the application (Exhibit No. 4) as a part of their tariff schedules, together with appropriate key map for reference purposes in accordance with the procedure prescribed by

General Order No. 96 and may extend existing rate areas to those contiguous areas being acquired by the respective applicants.

3. Applicants may make the proposed accounting entries set forth on Page 2 of Exhibit No. 6 plus any changes between October 31, 1957 and the date or dates of transfer.

4. If the authority herein granted is exercised, applicants shall within thirty days after the last transfer, notify this Commission in writing of the date or dates of completion of the property transfers herein authorized.

The effective date of this order shall be twenty days after the date hereof.

Dated at San Francisco, California, this 24<sup>th</sup> day of June, 1958.

[Signature]  
President  
[Signature]  
[Signature]  
[Signature]  
Commissioners